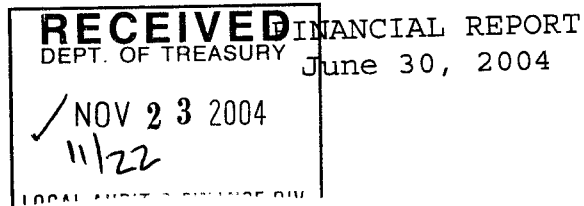


47-8001

CROMAINE DISTRICT LIBRARY



C O N T E N T S

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AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CROMAINE DISTRICT LIBRARY	County
Audit Date JUNE 30, 2004	Opinion Date AUGUST 25, 2004	Date Accountant Report Submitted to State: NOVEMBER 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised NOV 23 2004
2. We are certified public accountants registered to practice in Michigan.

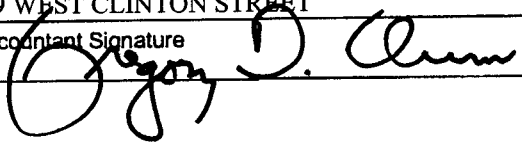
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BREDERNITZ, WAGNER & CO., P.C.			
Street Address 109 WEST CLINTON STREET	City HOWELL	State MI	ZIP 48843
Accountant Signature 			

Certified Public Accountants

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MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the Cromaine District Library
Hartland, Michigan

We have audited the accompanying financial statements of the Cromaine District Library as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cromaine District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cromaine District Library as of June 30, 2004 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Cromaine District Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cromaïne District Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bredernitz, Wagner & Co., P.C.

Howell, Michigan
August 25, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year Ended June 30, 2004
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below shows key financial information in a condensed format:

Current assets	\$1,928,954
Capital assets	<u>1,407,184</u>
Total assets	<u>3,336,138</u>
Current liabilities	48,020
Long-term liabilities	<u>63,538</u>
Total liabilities	<u>111,558</u>
Net assets:	
Invested in capital assets, net of debt	1,358,009
Unrestricted	<u>1,886,571</u>
Total net assets	<u>\$3,224,580</u>
Revenue:	
Property taxes	\$1,431,799
Other	<u>195,749</u>
Total revenue	<u>1,627,548</u>
Expenses - Library services	<u>1,186,995</u>
Change in net assets	<u>\$ 440,553</u>

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among Libraries in Michigan.
- As a result of this change, the Library reports net assets of \$3,224,580 this year on a full accrual basis, as compared to \$1,880,934 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2003, total tax collections were \$1,431,799. This represents approximately 88.0 percent of total revenue.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For 2003, this expenditure was \$770,729, representing 64.9 percent of the Library's total expenditures.
- Depreciation expense, which represents 15.7 percent of the Library's total expenses, is new to the Library, with the implementation of GASB 34.
- Total expenditures for the entire year under the modified accrual method of accounting were \$1,253,001.
- The Library's conversion to meet GASB 34 Standards, which includes capitalization of Library owned assets and associated depreciation expense is reflected in the Statement of Activities on page 8 of the financial report.

The Library's Fund

Our analysis of the Library's General fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance of the General Fund increased during the current year by \$440,553. This represents unspent revenue greater than expenses.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had approximately \$1,407,000 invested in land, building, furniture and equipment, and books and materials. The Library added \$185,350 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection.

The Library's debt rating is excellent. No debt was issued during the fiscal year. The Library's bonded indebtedness totaled \$49,175 at June 30, 2004.

In future years, when prior year information is available, a comparative analysis of government wide data will be presented.

CROMAINE DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET ASSETS
JUNE 30, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets
Assets			
Cash and investments (Note 3)	\$ 1,911,857	-	1,911,857
Accrued interest	16,772	-	16,772
Prepaid expense	325	-	325
Property and equipment (Note 4)	<u>-</u>	<u>1,407,184</u>	<u>1,407,184</u>
Total Assets	<u>\$ 1,928,954</u>	<u>1,407,184</u>	<u>3,336,138</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 45,008	-	45,008
Due to other governmental units	3,012	-	3,012
Long term liabilities:			
Bonds payable, due within one year (Note 4)	-	8,786	8,786
Bonds payable, due after one year (Note 4)	-	40,389	40,389
Accumulated employee benefits	<u>-</u>	<u>14,363</u>	<u>14,363</u>
Total Liabilities	<u>48,020</u>	<u>63,538</u>	<u>111,558</u>
Fund Balance/Net Assets			
Fund balances - Unreserved:			
Board Designated	1,493,398	(1,493,398)	-
Undesignated	<u>387,536</u>	<u>(387,536)</u>	-
Total Fund Balance	<u>1,880,934</u>	<u>(1,880,934)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,928,954</u>		
Net assets:			
Invested in capital assets, net of debt		1,358,009	1,358,009
Unrestricted		<u>1,886,571</u>	<u>1,886,571</u>
Total net assets		<u>\$ 3,224,580</u>	<u>3,224,580</u>

The notes to Financial Statements are an integral part of this statement.

CROMAINE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE,
EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenue			
Property taxes	\$ 1,431,799	-	1,431,799
State aid	27,065	-	27,065
Charges for services	5,266	-	5,266
Investment income	43,115	-	43,115
Contributions	6,478	-	6,478
Fines and forfeitures	105,341	-	105,341
Other miscellaneous	8,484	-	8,484
Total Revenues	<u>1,627,548</u>	<u>-</u>	<u>1,627,548</u>
Expenditures			
Administrative	11,075	-	11,075
Salaries and fringe benefits	771,069	(340)	770,729
Supplies	30,726	-	30,726
Community relations	25,112	-	25,112
Library books and materials	185,350	(185,350)	-
Professional and contractual services	45,732	-	45,732
Technology	28,640	-	28,640
Training and education	15,422	-	15,422
Insurance	13,348	-	13,348
Utilities	39,832	-	39,832
Rental	1,503	-	1,503
Repairs and maintenance	11,343	-	11,343
Capital outlay, non-capitalizable	4,964	-	4,964
Capital outlay	59,857	(59,857)	-
Depreciation	-	186,862	186,862
Debt service:			
Principal	7,321	(7,321)	-
Interest	1,707	-	1,707
Total Expenditures	<u>1,253,001</u>	<u>(66,006)</u>	<u>1,186,995</u>
Excess of Revenues Over Expenditures/Change in Net Assets	374,547	66,006	440,553
Fund Balance/Net Assets - Beginning of year	<u>1,506,387</u>	<u>1,277,640</u>	<u>2,784,027</u>
Fund Balance/Net Assets - End of year	<u>\$ 1,880,934</u>	<u>1,343,646</u>	<u>3,224,580</u>

The notes to Financial Statements are an integral part of this statement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Description of Cromaine District Library Operations:

The Cromaine District Library was organized in 1995 under the provisions of the Michigan District Library Establishment Act, Public Acts 24 of 1989. The Library serves the Hartland Consolidated School District, which includes Hartland township and portions of Tyrone, Deerfield, Brighton, Genoa and Oceola townships. The Library is governed by a seven member board of trustees elected at large from the Hartland Consolidated School District.

Definition of the reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, these financial statements present the Cromaine District Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the Library has no component units.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposed into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cromaine District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

GASB No. 34:

Effective July 1, 2003, the Library implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion on Analysis - for State and Local Governments*. Certain significant changes in the statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all the Library's activities

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus/basis of accounting: (Concluded)

measurement made, regardless of the measurement focus applied. The accounting policies of the Cromaine District Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Major revenue sources susceptible to accrual include: taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when the cash is received.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on demand deposits and short-term investments with a maturity of three months or less when acquired.

Investments:

Investments are stated at cost. Interest earned is recorded as revenue when the investment matures or when credited, by the financial institution, to the interest bearing account.

Compensated absences (vacation and sick leave):

Full-time Library employees earn vacation time in various amounts based on length of service. Sick leave is earned by full-time employees at a rate of 1 day per month of service. Upon separation, employees will be paid for the accumulated vacation time. Vacation accrued as of June 30, is recorded as a liability and expenditure in the General Fund. No payment is made for unused, accumulated sick leave upon separation. Therefore, no liability is accrued for accumulated sick leave.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2003 State equalized valuation of the Library totaled \$1,163,669,300. The State taxable valuation of the Library totaled \$911,536,186 on which ad valorem taxes levied consisted of 1.6 mills raising \$1,431,799 for operating purposes.

Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and budgetary accounting:

The budget of the General Fund is legally adopted through a Board resolution prior to the beginning of the budgetary year. During the year, the Library Board amended the budget to take into account events that occurred during the year. The encumbrance method of budgeting is not used. Any unexpended appropriations lapse at year end.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Formal budgetary integration is employed as a management control device for the General Fund. Budgets are prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

Note 3. CASH AND CASH INVESTMENTS:

At June 30, 2004, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, money market accounts and certificates of deposit)	\$ 225,884
Investments in securities	1,685,829
Petty cash	<u>144</u>
Total	<u>\$1,911,857</u>

DEPOSITS

Deposits are carried at cost. The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$242,929. Of that amount, \$100,000 was covered by federal depository insurance and \$142,929 was uninsured and uncollateralized.

INVESTMENTS

The Library is authorized by Michigan Public Act 20- of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

Investments at year end consisted of \$1,685,829 in U.S. governmental securities. The U.S. government securities are uninsured and unregistered: they are held by the counterparty's trust department in the Library's name. The deposits and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land	\$ 20,000	-	-	20,000
Building	1,064,796	26,337	-	1,091,133
Building improvements	75,260	-	-	75,260
Computers	164,428	20,574	-	185,002
Equipment	152,027	12,946	-	164,973
Library books and materials	<u>1,074,451</u>	<u>185,350</u>	-	<u>1,259,801</u>
Total	2,550,962	245,207	-	2,796,169
Accumulated Depreciation	<u>(1,202,123)</u>	<u>(186,862)</u>	-	<u>(1,388,985)</u>
Net Book Value \$	<u>1,348,839</u>	<u>58,345</u>	-	<u>1,407,184</u>

Note 5. LONG-TERM DEBT

The following is a summary of the debt outstanding of the Library for the year ended June 30, 2004:

	Balance July 1, 2003	Additions (Deductions)	Balance June 30, 2004
Hartland Township Sewer Bond, Annual principal payments of \$4,170 plus interest at 2.5% until 2015	\$50,046	(4,171)	45,875
Hartland Consolidated Schools Energy Improvement Bonds, annual Principal payments ranging from \$2,400 to \$3,300, plus interest at 4.3% to 5.15%, until 2005	<u>6,450</u>	<u>(3,150)</u>	<u>3,300</u>
	<u>\$56,496</u>	<u>(7,321)</u>	<u>49,175</u>

Note 5. LONG-TERM DEBT (Concluded)

The annual requirements to amortize all debt outstanding as of June 30, 2003, (plus interest payments of approximately \$7,100) are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2005	7,471
2006	4,171
2007	4,171
2008	4,170
2009	4,170
2010-2014	20,850
2015	<u>4,172</u>
	<u>\$49,175</u>

6. PENSION PLANS

A. Defined Contribution Retirement Plan

Plan Description. The Cromaine District Library Defined Contribution Retirement Plan is a defined contribution pension plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate in the plan after six months of service. The plan is administered by the Library. The Library contributes 10% of compensation for eligible employees. During the year ended June 30, 2004 the employer made contributions totaling \$37,492. Contributions are recognized in the period that the contributions are due.

B. Tax-Deferred Annuity Plan

The Cromaine District Library Tax-Deferred Annuity Plan is a defined contribution plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate. Contributions are made through salary reductions as elected by the employee. All contributions are fully and immediately vested. During the year ended June 30, 2004, employees made contributions totaling \$31,261.

Note 7. RISK MANAGEMENT

The Cromaine District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and worker's compensation benefit provided to employees. The library has purchased commercial insurance for medical benefit claims, settled claims for which have not exceeded the amount of insurance coverage in any of the past three years.

The Library is a member of the Michigan Municipal League Liability and Property Pool which provides members with loss protection for general liability and property and crime coverage. The pool has entered into reinsurance agreements providing for loss coverage in excess of the amounts retained by the pool and individual members. The Library's coverage on general liability and public officials' liability is \$5,000,000, with a combined liability of 5,000,000. The Library's coverage on property and crime is as follows: \$3,575,969 for building and personal property contents thereof, \$100,000 for valuable records and papers, \$100,000 for loss of rents, \$237,000 for electric data processing equipment and media, and \$100,000 for extra expense. There is also employee dishonesty coverage in the amount of \$100,000, money and securities coverage for both inside and outside premises in the amount of \$10,000 for each. Any liability for losses which exceed these amounts would remain with the Library.

The Library is also a member of the Michigan Municipal League Workers Compensation. Premiums from participants are combined to provide all members with coverage for claims. The premiums and interest thereon are used to pay claims, administrative expenses and to purchase reinsurance to protect the fund from exceptionally large losses. In the event of a deficit in a fund year, assessments could be made against the members. No such assessments have been made against the Library.

Note 8. SUBSEQUENT EVENT

Subsequent to year end, the Library entered into a purchase agreement for a building and parcel of land located directly to the south of the current library. The final purchase price has not yet been resolved, but is expected to be approximately \$146,000.

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets:

Total Fund Balance - Modified Accrual Basis	\$1,880,934
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	1,407,184
Long-term liabilities are not financial resources, and are not reported in the funds	(49,175)
Compensated absences are included as a liability	<u>(14,363)</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$3,224,580</u>

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE
FINANCIAL STATEMENTS (CONCLUDED)

Net Change in Fund Balances - Modified Accrual Basis \$ 374,547

Amounts reported in the statement of activities
are different because:

Capital outlays are reported as expenditures in
statement of revenue, expenditures, and changes
in fund balance, in the statement of activities,
these costs are allocated over their estimated
useful lives as depreciation:

Library books and materials	185,350
Capital outlay	59,857
Depreciation	(186,862)

Decrease in the accrual for long-term compensated
absences reported as an expenditure in the
statement of activities, but not in the fund
statements

340

Repayments of bond principal are reported as an
expenditure in the fund statements, but not in the
statement of activities (where it reduces long-
term debt)

7,321

Change in Net Assets of General Fund -
Full Accrual Basis

\$440,553

CROMAINE DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,391,000	1,391,000	1,431,799	40,799
State aid	17,870	17,870	27,065	9,195
Charges for services	5,900	5,900	5,266	(634)
Investment income	63,350	63,350	43,115	(20,235)
Contributions	12,000	12,000	6,478	(5,522)
Fines and forfeitures	97,350	97,350	105,341	7,991
Other miscellaneous		-	8,484	8,484
Total Revenues	<u>1,587,470</u>	<u>1,587,470</u>	<u>1,627,548</u>	<u>40,078</u>
Expenditures				
Administrative	9,930	9,930	11,075	(1,145)
Salaries and fringe benefits	775,420	776,620	771,069	5,551
Supplies	28,440	29,340	30,726	(1,386)
Community relations	21,140	25,515	25,112	403
Library books and materials	180,000	184,500	185,350	(850)
Professional and contractual services	47,470	47,470	45,732	1,738
Technology	28,670	29,670	28,640	1,030
Training and education	15,120	15,420	15,422	(2)
Insurance	13,750	13,750	13,348	402
Utilities	39,500	40,000	39,832	168
Rental	1,040	1,590	1,503	87
Repairs and maintenance	17,810	16,760	11,343	5,417
Capital outlay	170,430	108,330	64,821	43,509
Contingencies	20,000	11,325	-	11,325
Debt service	8,960	8,960	9,028	(68)
Total Expenditures	<u>1,377,680</u>	<u>1,319,180</u>	<u>1,253,001</u>	<u>66,179</u>
Excess of Revenues Over Expenditures	209,790	268,290	374,547	106,257
Fund Balance - Beginning of year	<u>1,506,387</u>	<u>1,506,387</u>	<u>1,506,387</u>	-
Fund Balance - End of year	<u>\$ 1,716,177</u>	<u>1,774,677</u>	<u>1,880,934</u>	<u>106,257</u>

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PRINCIPALS

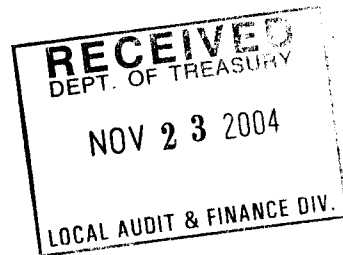
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DAVID L. BREDERNITZ, CPA
HERBERT P. WAGNER, JR., CPA



To the Board of Trustees and
the Director of the Cromaïne
District Library
Hartland, Michigan

In planning and performing our audit of the financial statements of the Cromaïne District Library for the year ended June 30, 2004, we considered the Cromaïne District Library's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted a certain matter involving the internal control that is presented for your consideration. This letter does not affect our report dated August 25, 2004 on the financial statements of the Cromaïne District Library. We will review the status of this comment during our next audit engagement. Our comment which has been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comment is summarized in the accompanying memorandum.

We appreciate the assistance provided to us by the staff of the Cromaïne District Library. This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Bredernitz, Wagner & Co., P.C.

Howell, Michigan
August 25, 2004

To the Board of Trustees and
the Director of the Cromaine
District Library
Hartland, Michigan
Page 2

Status of prior year recommendation:

There were no prior year recommendations as all recommendations prior to the preceding year's audit were implemented.

Current year recommendations:

The Library has implemented GASB 34 during the current year. One of the requirements of GASB 34 requires the capitalization and depreciation of assets that meet the capitalization policy of the Library. The Library should investigate the addition of software that will track capital assets and will compute depreciation on the assets. Such software will provide the necessary information to be in compliance with GASB 34.